REAL ESTATE OWNED PROPERTIES

Presenters

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Mortgagee Letters

MORTGAGEE LETTERS

ML 2010-17

Lead Base Paint

ML 2010-16

Introduction of the M&M III Mortgagee Compliance Manager (MCM)

MORTGAGEE LETTERS

ML 2010-08

Appraisal validity period and second appraisals

ML 2000-27

Appraising and Financing HUD REO Properties with FHA-Insured Financing

MORTGAGEE LETTERS

ML 1995-56

Insured Sales with Repair Escrows

Notice H 09-17

Closing Costs Paid by HUD

WHAT IS A HUD REAL ESTATE OWNED (REO) PROPERTY?

FHA Insured loan goes into default and forecloses

Lender applies to HUD for insurance claim

Property is deeded to HUD

CHANGES TO REO

Summary of Changes

- Separate contractors for property management and for marketing/sales
- One web site for everything
- New bidder registration process
- Exclusive owner occupant period changes
- Daily listings
- \$100 down incentive has been discontinued unless accepted for GNND

Asset Manager

- Commonly referred to as AM's
- Main Contact

Review all bids

- Select listing Brokers
- Handles all contract questions or concerns

Field Service Manager

❖A field service manager is commonly called FSM

Provide maintenance and preservation services

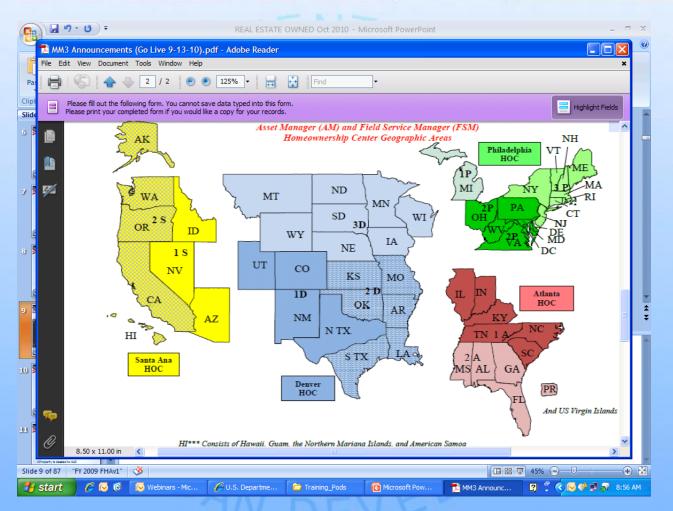
POLL QUESTION

The REO website: www.HUDhomestore.com

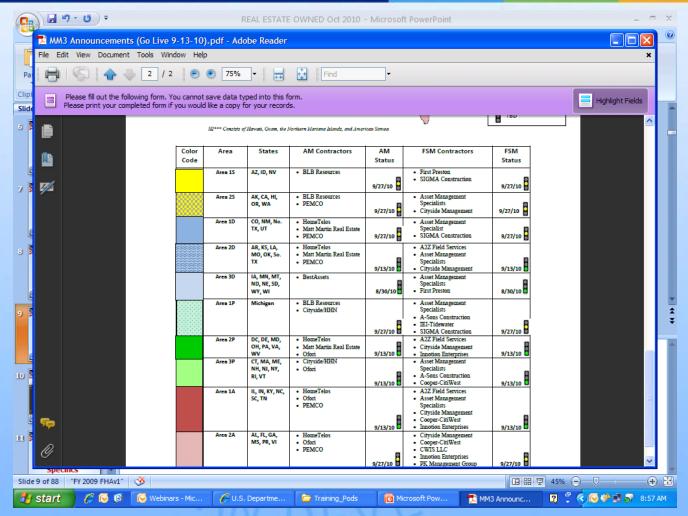
www.HUDhomestore.com

- One web site for the entire country
- Search the list of HUD REO properties
- Purchasers will see what brokers see
- AM's will have the ability to list properties daily
- Submit bids and obtain forms

Current Territorial Map



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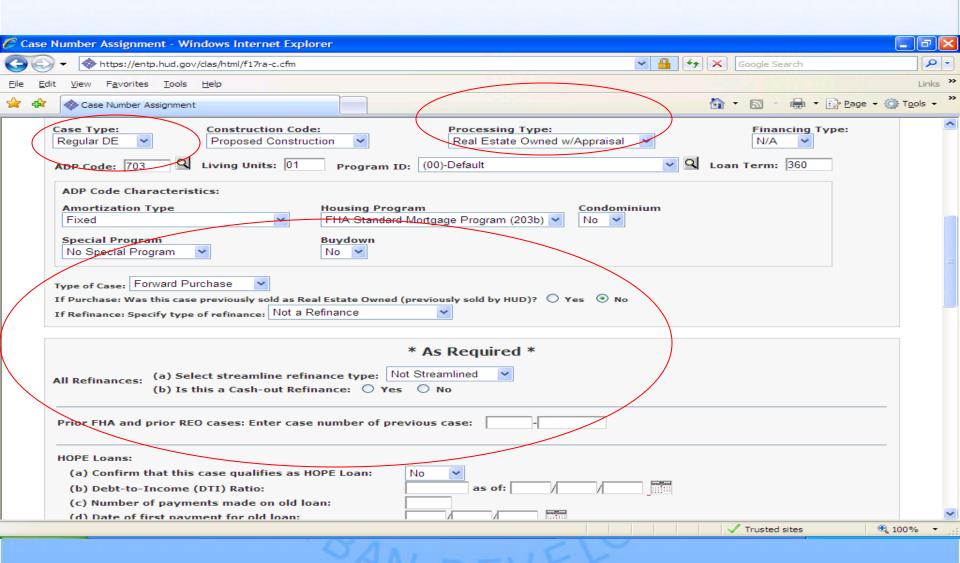
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Case Numbers

CASE NUMBER ASSIGNMENT

- ❖In FHA Connection order a new case number
- ❖In FHA Connection select Real Estate
 Owned for processing type with or without an appraisal
- ❖In FHA Connection answer yes to case previously sold as a Real Estate Owned
- ❖In FHA Connection enter previous case number
- Call HOC if FHA Connection indicates previous case number does not exist

Case Number Cont



Calculations

MAXIMUM MORTGAGE CALCULATIONS

- Maximum Mortgage Amount is calculated on the lesser of the AS-IS value or Sales Price
- Closing Cost and Prepaids may NOT be added in the mortgage amount
- May include cost of repairs up to 110% (repairs must be \$5000 or less) if greater than \$5000 must be a 203K loan
- ❖ If any sales incentives allowed they must be included in the REO contract

Appraisal

APPRAISAL

- Asset Managers will order an AS-IS appraisal (not as repaired) to determine list price
- Appraiser will list any needed repairs
- Utilities should be on at time of appraisal; otherwise lender or purchaser is responsible for system check
- Contact the Asset Manager for a copy of the appraisal (free of charge)
- ❖ Lenders may NOT order a new appraisal unless the appraisal is expired or if material deficiencies exist per ML 2000-27 & 2010-08

Appraisal Update

- Mortgagee letters 2010-13 & 2010-08
- 30 day extension period permitted for an original appraisal if it has not been updated
- New appraisal can be ordered if there are material deficiencies or the original appraisal is expired
- 2nd appraisal is not permitted to support an overbid

Repairs

REPAIR ESCROW

- Comply with 4145.1 for procedures to establish and administer
- Form HUD-92300 Mortgagee's Assurance of Completion
- Form HUD-92051 Compliance Inspection Report
- *Repair escrow is 110% and total amount is listed on contract.

Sales Types

SALES TYPES

Properties are marketed and sold based on the condition of the property existing at the time of listing

- ❖ INSURABLE-meets FHA's Minimum Property Requirements as is condition-no repairs
- ❖ INSURABLE WITH CONDITIONS-repairs required and must be satisfied to meet FHA's Minimum Property Requirements prior to closing
- ❖ INSURABLE WITH REPAIR ESCROWS-repairs of less than \$5000 as determined by the appraiser to have the property meet FHA's Minimum Property Requirements an escrow must be established; may include 110% of estimated repairs in the mortgage amount ML 95-56 (FHA does not pay for repairs) Generally all repairs are to be completed with in 90 days of closing.
- UNINSURABLE-repairs greater than \$5000 as determined by the appraiser in order for the property to meet FHA's Minimum Property Requirements are only available with 203k financing

Poll Question

Inspections

INDEPENDENT HOME INSPECTIONS

*IF THE HOME INSPECTION IDENTIFIES
REPAIRS WHICH WERE NOT IDENTIFIED ON
THE APPRAISAL, LENDERS MUST DISCUSS
SUCH DISCREPANCIES WITH THE ASSET
MANAGER. THE ASSET MANAGER MAY ALLOW
MODIFICATIONS TO THE CONTRACT TO ALLOW
THE SALES TRANSACTION TO CONTINUE

Sales Contracts

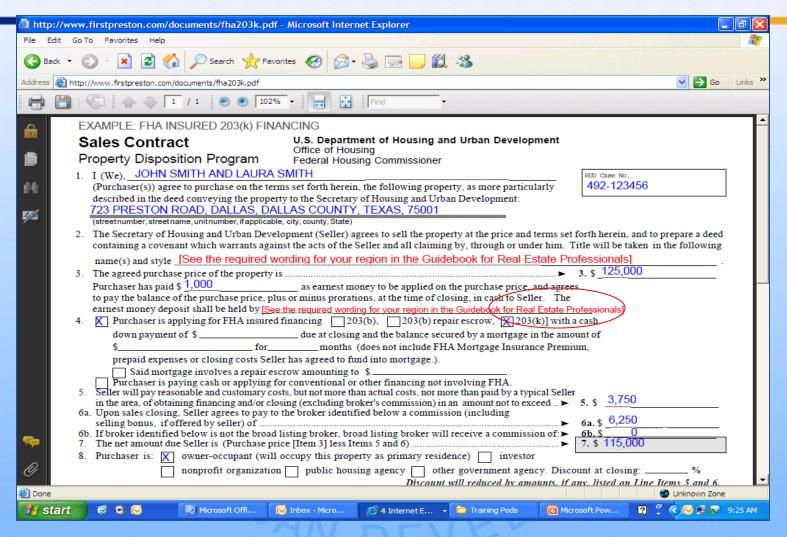
SALES CONTRACT REQUIREMENTS

- Only a fully executed contract is acceptable Form HUD-9548 (must be signed by the Asset Manager or lender should not process the loan)
- To be eligible for FHA insured financing the first block in item 4, as well as the block for the appropriate FHA 203(b) program, 203(b) with repair escrow, or 203(k) must be checked
- For condominiums section 203(b) should be checked
- The amount of the repair escrow should be entered on line 11b
- Overbidding appraised value requires the buyer to add the difference to FHA down payment amount needed at closing

SALES CONTRACT REQUIREMENTS CONT

- Line 5 on the contract will indicate closing cost paid by FHA; only actual amount can be credited at closing (cannot use excess for prepaids)
- If no closing cost or prepaids are indicated to be paid by FHA; then borrower must pay with their own funds and costs cannot be added to the loan amount
- For Your Protection Get a Home Inspection is required

SALES CONTRACT CONT



Poll Question

Investor Loans

INVESTOR LOANS

Investors are eligible for 203b financing only

- ❖75% LTV for 1 unit
- ❖85% LTV for 2-4 unit
- 203K not allowed

REO Incentives

HUD REO INCENTIVES

- Up to 3% closing cost and up to 5% selling agent commissions paid by HUD if listed in the contract and approved by HUD
- Good Neighbor Next Door (GNND) Program
- \$100 Down payment program has been discontinued unless accepted on a GNND contract

INCENTIVES ON CLOSING COST AND COMMISSIONS

❖If included in the sales contract, HUD will pay up to 3% of the list price for closing cost and up to 5% for the selling agent commission

Good Neighbor Next Door

SALES INCENTIVES ON GNND PROGRAM

HUD offers for sale at 50% discount from the list price certain properties in HUD designated revitalization areas to full time:

- Firefighters
- Emergency Technicians
- **❖**Teachers
- Law Enforcement Officers

HUD OWNED PROPERTIES

- Only Single Family 1 unit HUD homes located in HUD designated revitalization areas are eligible for GNND programs
- Bids must be submitted over the Internet by a real estate broker participating in HUD programs.
- Go to HUDhomestore.com for more information

GENERAL QUALIFICATIONS FOR GNND PROGRAMS

- Eligible F/T employment
- Good faith intent to remain in employment status for one year
- Earnest money deposit required
- No ownership of residential real property for 1 year preceding offer submission date by either buyer or spouse

GENERAL QUALIFICATIONS CONT

- Post-purchase obligations
 - √ 36 months of owner-occupancy term
 - ✓ Annual certifications required in 3-year occupancy period
 - ✓ VOEs on form 9549A-E are required to be completed by the employer each year
- Refer case specific technical or property related questions to the jurisdictional Asset Manager

Poll Question

LAW ENFORCEMENT OFFICER

- Employed full-time by a law enforcement agency of the federal government, a state, unit of general local government, or an Indian tribal government; and
- In carrying out such full-time employment, the person is sworn to uphold, and make arrests for violations of federal, state, tribal, county, township, or municipal laws
- Serving the area where the home is located

TEACHER

- Employed as a full-time teacher by a state accredited public or private school that provides direct services to students in grades prekindergarten through 12; and
- The public or private school where the person is employed as a teacher serves students from the area where the home is located in the normal course of business

FIREFIGHTER/EMT

Employed full-time as a firefighter or emergency medical technician

- ❖ By a fire department or emergency medical services responder unit of the federal government, a state, unit of general local government, or an Indian tribal government
- Serving the area where the home is located

Poll Question

Earnest Money

EARNEST MONEY DEPOSIT

❖ 1% of list price, but no less than \$500 and no more than \$2000

Contract Extensions are available for a fee

❖If cancelling a contract, contact the Asset Manager for further details

GNND loan Calculations

CALCULATING DISCOUNTED SALES PRICE

GNND program borrowers are entitled to a discount against the sales price at settlement

❖50 percent discount from the list price

The discounted amount is reduced by the closing costs and real estate commissions paid by HUD on behalf of borrower

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Sample Calculation

```
Contract Sales Price (from Line 3 of REO Sales Contract)
                    Discount (from Line 8 of REO Sales Contract)
**
                    HUD-Paid Closing Costs (from Line 5 of REO Sales Contract)
                    HUD-Paid Sales Commission (from Line 6a of REO Sales Contract)
**
                    Discounted Sales Price
**
**
         For example:
•
          Contract Sales Price
**
         $100,000
         - 50% Discount
           - 50,000
•
   50,000
          + Sales Commission + 5,000
          + HUD-paid closing costs
                                                 +3,000
**
          = Discounted Sales Price for Mortgage Calculation Purposes $ 58,000
•
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Subordinate 2nd Mortgage

SUBORDINATE MORTGAGE

- Required
- Must equal 50% of the list price
- 36 months term
- Self-amortizes monthly
- Pro rata balance due for non-compliance computed from month of violation

Refinancing

REFINANCING

- Permitted with restrictions
- 1. Contact HUD's Contractor, C&L Service Corp/Morris-Griffin Corp for subordinations
- Purpose:
- Result in a lower annual percentage rate on the first mortgage
- 2. To rehabilitate or repair with 203 (k) program
- 3. To prevent GNND borrowers from defaulting on the first mortgage

Resources

NATIONAL SERVICING CENTER

For Subordination & Refinancing related questions contact:

Department of Housing and Urban Development

National Servicing Center

301 NW 6th Street, Suite 200

Oklahoma City, OK 73102

Phone: (877)622-8525

Website:

http://www.hud.gov/offices/hsg/sfh/nsc/nschome.cfm

GNND SUBORDINATION REQUEST

Processing of a GNND subordination request is handled by C&L Service Corp./Morris-Griffin Corp.

Attn: GNND - Customer Service

2488 E 81st St., Suite 700

Tulsa, Oklahoma 74137

Fax: (918) 935-2994

Toll free: (877) 622-8525

http://www.hud.gov/offices/hsg/sfh/nsc/rep/gnndsubs.pdf

WEBSITES

Visit http://www.hud.gov/salesincentives

For GNND properties listed for sale and bidding procedures go to the following HUD website:

http://www.hud.gov/offices/hsg/sfh/reo/goo dn/gnndabot.cfm

RESOURCES

ML 2010-17, 2010-16, 2010-08, 2000-27, 1995-56

NOTICE H 09-17

WWW.HUD.GOV

WWW.HUDhomestore.com

http://www.hud.gov/salesincentives

http://www.hud.gov/offices/hsg/sfh/reo/goodn/gnndabot.cfm

NATIONAL SERVICING CENTER @ (877) 622-8525

And: http://www.hud.gov/offices/hsg/sfh/nsc/nschome.cfm

C&L SERVICE CORP./MORRIS-GRIFFIN CORP @ (866) 377-8667

And: http://www.hud.gov/offices/hsg/sfh/nsc/rep/gnndsubs.pdf

Disclaimer

- The purpose of this presentation is an overview of the subject matter with summation and explanation of recent changes in FHA policy. It introduces and explains, rather than supplants, official policy issued in Handbooks and Mortgagee Letters. If you find a discrepancy between the presentation and Handbooks, Mortgagee Letters, etc., the official policies prevail. Please note the information provided in this training is subject to change.
- Please consult HUD online Handbooks at http://www.fhaoutreach.gov/FHAHandbook/prod/contents.asp?a ddress=4155-1 and Mortgagee Letters through http://www.hud.gov/offices/adm/hudclips/letters/mortgagee/index.cfm for the most recent updates and current policy.

THANK YOU!